

Audit Committee minutes

Monday 7 September 2015

Members

Ian Watmore (chair)
Ailsa Beaton
Roger Barlow

Non-Executive Director
Non-Executive Director
Independent Audit Committee
member

Attendees:

ICO

Simon Entwisle
Christopher Graham
Louise Byers
Heather Dove

Deputy Chief Executive Officer
Information Commissioner
Head of Good Practice
Head of Finance

Internal Auditors

Will Simpson

Grant Thornton

External Auditors

James Edmands

National Audit Office

Secretariat

Peter Bloomfield

Senior Corporate Governance Manager

1. Introductions and apologies

- 1.1. There were apologies from Phil Keown from Grant Thornton, and David Eagles from BDO.

2. Declaration of interests

- 2.1. There were no declarations of interest.

3. Action points from the Audit Committee meeting of the 8 June

- 3.1. The minutes of the last meeting had been agreed by correspondence and were presented for information.
- 3.2. Action points had been cleared. There were no other matters arising.

4. Commissioner's update

- 4.1. The Commissioner updated the Committee on issues affecting the ICO.
- 4.2. The Cabinet Office had appointed a commission to review the working of the Freedom of Information Act. It was due to report to government in November. The commission had already met and the ICO would be submitting evidence for the commission in due course.
- 4.3. Charity fund-raising was currently a big issue both in the press and politically and there was a significant data protection angle.
- 4.4. Clarity was still needed on which government department would have ownership of data protection policy and sponsorship for the ICO. Decisions on the publication of the Triennial Review report and the recruitment of the next Commissioner were delayed pending a decision being made.
- 4.5. Both of the Deputy Commissioners, David Smith and Graham Smith, were leaving the ICO this autumn. It had not proved possible to appoint a replacement for David Smith and the Commissioner did not intend appointing temporary deputies. Simon Entwisle would be designated Deputy Commissioner as there was a legislative requirement for at least one deputy to be in post.
- 4.6. In addition a medium term interim management structure would be put in place which would cover the ICO during the transition to, not only the next Commissioner, but also potentially to the commencement of the new EU Data Protection Regulation. The structure was being discussed with

Leadership Group members and would be formally agreed. Trade union side would also be informed.

- 4.7. The Commissioner confirmed that there was still time for the next Commissioner to be recruited and in post by the end of June 2016.
- 4.8. The pay remit had been agreed by Ministers and negotiations had started with trade union side. The remit met the Treasury 1% cap.
- 4.9. The Commissioner reported that the Treasury had approved a payment of £7,320 in respect of legal costs incurred in preventing any appearance of a conflict of interest in responding to an allegation of an offence under s77 of the Freedom of Information Act. A report would be made to the next meeting of the Management Board.

Action point 1: Ailsa Beaton to check how similar issues were handled in organisations she had experience of.

- 4.10. There was a need to arrange maternity cover for the Finance Manager at the end of the financial year.

5. Risk management

- 5.1. The Committee questioned the use of language in the finance report relating to the risk of an underspend. It was felt that an underspend in itself was not a risk. The risk was more one of inaccurate budgeting and profiling.
- 5.2. The major risks facing the ICO currently related to the loss of senior managers at the ICO, with no interim management structure yet in place, and the lack of clarity over sponsorship responsibility with consequent knock on affects for decisions affecting the ICO and in particular the recruitment of the next Commissioner.
- 5.3. The risk levels in this area were high and in addition to specific discussion on risk and risk appetite at the Management Board strategy day the Audit Committee expected substantial progress on all three areas by the time of the next quarterly Management Board meeting on 2 November.
- 5.4. It was asked whether the risk relating to the prompt filling of vacancies was a financial or a resource issue. The view was that if recruitment took over-long there was a financial impact in that money was not spent as quickly as expected, but also that work would be delayed if staff were

not in post. This was especially the case if staff were being recruited for what was new work.

Action point 2: Peter Bloomfield to amend the risk register to better reflect discussion on the main risk areas discussed and ensure that the prompt filling of vacancies was covered by the “people” risks.

6. Critical IT hardware failure

- 6.1. The paper detailing the IT failure in May had come previously to Management Board and was being brought to Audit Committee for information.
- 6.2. The action taken to mitigate against future similar failures was detailed. It was also confirmed that in the case of a power failure the ICO had at least an hour to shut down its servers in a controlled way. And this process did need manual intervention.
- 6.3. The resources available from the service provider to deal with the IT outage had been an issue. Additional resources had not been easily available, against expectations. The ICO will be seeking to address this particular issue as part of decisions on how best to provide an IT service in the future.

7. Progress on implementation of a purchase management system

- 7.1. Heather Dove updated the Committee on the implementation of a purchase management system. There had been a slight delay in this due to the IT hardware outage taking resources away from the project and to the loss of the Finance Manager later in the year. The new system would, however, be rolled out by the end of October.
- 7.2. It was noted that the IT element of the project was not major. The main impact would be on how staff across the ICO made purchases and on financial reporting.

8. Senior staff remuneration audit

- 8.1. The final audit report from the Ministry of Justice on senior staff remuneration was presented for information. The audit provided a moderate opinion, highlighting some differences between ICO and Ministry of Justice expenses and

hospitality policies. In response the ICO was amending the Gifts and Hospitality policy and clarifying its expenses policy.

Action point 3: Peter Bloomfield to check if there was any further follow up needed with the Ministry of Justice.

9. Income and expenditure report

- 9.1. Heather Dove introduced the July income and expenditure report. In general finances were on track. It was too early for the August report but similarly early indications were that everything was on track.

10. Outstanding audit recommendations

- 10.1. Peter Bloomfield advised that none of the internal audit recommendations were overdue. In respect of external audit recommendations there were two that were late. Firstly, as already noted, there had been a delay in introducing the purchase management system. This would now be introduced by the end of October.
- 10.2. Secondly because of the lack of clarity over sponsorship arrangements and the delay in the publication of the Triennial Review it had not been possible to consider updating the Framework Document. However, work had been done internally on identifying areas the ICO wished to change.
- 10.3. It was felt that once a decision on sponsorship had been made it might take three months to agree amendments.

Action point 4: Peter Bloomfield to set a revised deadline for revision of the Framework Document once a decision had been made on sponsorship.

11. Internal Audit

- 11.1. Will Simpson introduced the Grant Thornton internal audit plan update and the review of Staff Recruitment. The aim was to deliver three internal audit reviews to Audit Committee at their December meeting. Meetings had already been held to scope these audits.
- 11.2. Given staffing changes in Finance the timing of the core financial review (in Q4) was questioned. It was agreed to bring these forward if possible.

Action point 5: Will Simpson and Heather Dove to agree indicative dates for the core financial controls audit.

- 11.3. In respect of the Staff Recruitment review, whilst there were three medium rated recommendations, in general Grant Thornton noted that ICO processes were good and the recommendations were aimed at enhancing the ICO's processes.
- 11.4. The Committee supported the recommendations as being very helpful to the ICO.
- 11.5. It was noted that the ICO reported on staff diversity to Management Board, and that there was a need to be proactive and ensure that improving the diversity of staff was covered in the People Strategy.

Action point 6: Peter Bloomfield to feed back to the Head of Organisational Development on the comments on diversity

12. Fraud, whistleblowing and security incidents

- 12.1. The Q1 (to June) report in fraud, whistleblowing and security incidents was provided for information. The main issue had been a suspected bank fraud which arose when money was taken out of the account without ICO authorisation. It transpired later that the money had been taken correctly by the bank but the bank had failed to notify the ICO promptly that the transfer was taking place. The Committee was surprised at the actions of the bank in not contacting the ICO immediately.

13. Any other urgent business

- 13.1. The timing of the June 2016 Audit Committee was discussed. It was noted that the proposed date of 6 June was based on the timetable for finalising the 2014/15 Annual Report and Accounts. And it was hoped that the timetable could be brought forward approximately a week for 2015/16. There needed to be discussion with BDO and the NAO about audit dates before a decision could be made as the final date.

Action point 7: Peter Bloomfield to firm up the June 2016 Audit Committee date as soon as possible.